Denton County Friends of the Family, Inc. and Affiliate

Financial Statements with Compliance Reports
and Supplemental Information
December 31, 2019

Sutton Frost Cary LLP
Certified Public Accountants

Denton County Friends of the Family, Inc. and Affiliate

Contents

SFC
Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report

Board of Directors
Denton County Friends of the Family, Inc. and Affiliate

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Denton County Friends of the Family, Inc. and Affiliate (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audit contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of DCFOF Realty Investments, Inc., the affiliate, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Denton County Friends of the Family, Inc. and Affiliate as of December 31, 2019, and their changes in net assets and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2020 on our consideration of Denton County Friends of the Family, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Denton County Friends of the Family, Inc.'s internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
May 21, 2020

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Financial Position
December 31, 2019

	Denton County Friends of the Family, Inc.	DCFOF Realty Investments, Inc.	Eliminations	Consolidated Total
	Assets			
Current assets:				
Cash and cash equivalents	$ 223,129	$ 177	$ -	$ 223,306
Grants receivable	403,160	-	-	403,160
Security deposits	5,237	-	-	5,237
Related party receivable	-	7,499	(7,499)	-
Total current assets	631,526	7,676	(7,499)	631,703
Property and equipment, net	246,348	1,051,564	-	1,297,912
Total assets	$ 877,874	$ 1,059,240	$ (7,499)	$ 1,929,615
	Liabilities and Net Assets			
Current liabilities:				
Accounts payable	$ 28,454	$ -	$ -	$ 28,454
Accrued expenses	161,925	-	-	161,925
Deferred rent	8,443	-	-	8,443
Related party payable	7,499	-	(7,499)	-
Current maturities of note payable	-	13,452	-	13,452
Total current liabilities	206,321	13,452	(7,499)	212,274
Note payable, net of current maturities	-	703,506	-	703,506
Total liabilities	206,321	716,958	(7,499)	915,780
Net assets:				
Without donor restrictions	671,553	342,282	-	1,013,835
Total net assets	671,553	342,282	-	1,013,835
Total liabilities and net assets	$ 877,874	$ 1,059,240	$ (7,499)	$ 1,929,615

See notes to the consolidated financial statements.

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2019

	Denton County Friends of the Family, Inc.	DCFOF Realty Investments, Inc.	Eliminations	Consolidated Total
Net assets without donor restrictions:				
Support:				
Public contributions	$ 379,011	$ -	$ -	$ 379,011
Government grants and contracts	3,790,045	-	-	3,790,045
United Way	144,848	-	-	144,848
Special events	163,577	-	-	163,577
Total support	4,477,481	-	-	4,477,481
Revenue:				
Thrift store sales	259,743	-	-	259,743
Program service fees	145,640	-	-	145,640
Miscellaneous	494	48,209	(47,924)	779
Total support and revenue	4,883,358	48,209	(47,924)	4,883,643
Expenses:				
Program services:				
Victim outreach	707,922	10,378	(23,962)	694,338
Shelter	569,291	2,102	-	571,393
BIPP	249,214	896	-	250,110
Advocacy and legal services	1,007,069	21,577	(23,962)	1,004,684
Community services	546,550	1,964	-	548,514
Thrift store	242,165	873	-	243,038
Volunteer program	56,034	-	-	56,034
Transitional housing	730,131	-	-	730,131
Total program services	4,108,376	37,790	(47,924)	4,098,242
Supporting services:				
Fundraising	322,313	-	-	322,313
Administration	413,913	7,741	-	421,654
Total supporting services	736,226	7,741	-	743,967
Total operating expenses	4,844,602	45,531	(47,924)	4,842,209
Change in net assets from operations	38,756	2,678	-	41,434
Non-operating activities				
Gain/(loss) on transfer of property and note payable	(339,604)	339,604	-	-
Change in net assets	(300,848)	342,282	-	41,434
Net assets at beginning of year	972,401	-	-	972,401
Net assets at end of year	$ 671,553	$ 342,282	$ -	$ 1,013,835

See notes to the consolidated financial statements.

Denton County Friends of the Family, Inc. and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services									Supporting Services			
	Victim outreach	Shelter	BIPP	Advocacy and legal services	Community services	Thrift store	Volunteer program	Transitional housing	Total	Fundraising	Administration	Total	Total
Salaries	$ 455,392	$ 403,199	$ 166,991	$ 706,860	$ 403,757	$ 89,612	$ 46,118	$ 259,336	$ 2,531,265	$ 216,294	$ 199,815	$ 416,109	$ 2,947,374
Employee benefits	26,526	23,535	9,747	41,259	23,567	5,231	2,692	15,137	147,694	12,625	11,663	24,288	171,982
Payroll taxes	35,335	31,351	12,985	54,963	31,395	6,968	3,586	20,165	196,748	16,818	15,537	32,355	229,103
Total salaries and related expenses	517,253	458,085	189,723	803,082	458,719	101,811	52,396	294,638	2,875,707	245,737	227,015	472,752	3,348,459
Insurance	8,633	6,407	4,264	9,992	5,588	1,866	-	4,293	41,043	-	6,682	6,682	47,725
Rent	6,170	-	22,189	13,626	25,801	39,595	-	22,958	130,339	1,562	32,053	33,615	163,954
Utilities	17,892	21,548	3,021	13,469	2,985	2,642	-	4,428	65,985	1,106	3,790	4,896	70,881
Other occupancy	24,570	7,744	589	22,683	954	4,890	-	1,561	62,991	58	9,138	9,196	72,187
Travel	1,013	3,780	1,990	10,202	9,432	169	1,873	5,934	34,393	1,202	26,415	27,617	62,010
Conferences and training	1,274	465	-	3,977	2,357	-	-	1,445	9,518	27	3,737	3,764	13,282
Telephone	6,621	4,106	668	5,486	670	655	-	1,120	19,326	150	1,813	1,963	21,289
Contract services	38,625	13,222	16,164	34,319	13,759	76,072	15	31,249	223,425	8,044	58,427	66,471	289,896
Equipment lease	6,967	7,770	2,645	6,583	4,882	2,163	-	1,952	32,962	1,611	4,475	6,086	39,048
Supplies	17,259	16,762	4,112	17,087	7,320	6,910	1,017	17,720	88,187	11,841	31,684	43,525	131,712
Postage	959	99	223	1,180	223	1,066	-	-	3,750	347	3,123	3,470	7,220
Advertising/publicity	82	19	-	183	3,599	313	-	2,956	7,152	4,707	1,709	6,416	13,568
Dues and memberships	3,528	1,821	-	5,034	1,821	-	-	-	12,204	1,159	2,465	3,624	15,828
Specific assistance to individuals	1,193	19,249	-	21,334	-	479	655	339,577	382,487	-	-	-	382,487
Interest	27,612	-	-	18,045	-	-	-	-	45,657	-	7,788	7,788	53,445
Fundraising costs	948	-	-	28	486	-	78	300	1,840	44,762	1,340	46,102	47,942
Total expenses before depreciation	680,599	561,077	245,588	986,310	538,596	238,631	56,034	730,131	4,036,966	322,313	421,654	743,967	4,780,933
Depreciation	13,739	10,316	4,522	18,374	9,918	4,407	-	-	61,276	-	-	-	61,276
Total expenses	$ 694,338	$ 571,393	$ 250,110	$ 1,004,684	$ 548,514	$ 243,038	$ 56,034	$ 730,131	$ 4,098,242	$ 322,313	$ 421,654	$ 743,967	$ 4,842,209

See notes to the consolidated financial statements.

Denton County Friends of the Family, Inc. and Affiliate
Consolidated Statement of Cash Flows
Year Ended December 31, 2019

	Denton County Friends of the Family, Inc.	Denton County Friends of the Family Realty Investments, Inc.	Eliminations	Consolidated Total
Cash flows from operating activities:				
Change in net assets	$ (300,848)	$ 342,282	$ -	$ 41,434
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	49,165	12,111	-	61,276
(Gain) loss on transfer of property and note payable	339,604	(339,604)	-	-
Changes in assets and liabilities:				
Grants receivable	173,171	-	-	173,171
Related party receivable	7,499	-	(7,499)	-
Accounts payable and accrued expenses	778	-	-	778
Related party payable	-	(7,499)	7,499	-
Deferred rent	(3,070)	-	-	(3,070)
Net cash provided by operating activities	266,299	7,290	-	273,589
Cash flows from financing activities -				
Purchases of property and equipment	(53,158)	-	-	(53,158)
Cash flows from financing activities:				
Net payments on line of credit	(100,000)	-	-	(100,000)
Repayment of note payable	(20,339)	(7,113)	-	(27,452)
Net cash used by financing activities	(120,339)	(7,113)	-	(127,452)
Net change in cash and cash equivalents	92,802	177	-	92,979
Cash and cash equivalents at beginning of year	130,327	-	-	130,327
Cash and cash equivalents at end of year	$ 223,129	$ 177	$ -	$ 223,306
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	$ 20,025	$ 33,420	$ -	$ 53,445
Supplemental disclosures of non-cash investing and financing activities:				
Sale of property to an affiliate and payoff of long-term debt	$ 724,071	$ -	$ -	$ 724,071
Purchase of property from an affiliate through issuance of long-term debt	$ -	$ 724,071	$ -	$ 724,071

See notes to the consolidated financial statements.

1. Organization

Denton County Friends of the Family, Inc. (DCFOF) is a Texas nonprofit corporation with a mission to provide services to families experiencing family violence, including but not limited to spousal and/or child abuse, and to provide services to victims of sexual assault. DCFOF accomplishes its mission by providing a variety of programs and services including a 24-hour crisis line, a residential shelter, counseling, community education, a thrift store and legal advocacy.

During 2019, DCFOF established a long-term leasehold interest which is owned by a separate 501(c)(2) nonprofit corporation, DCFOF Realty Investments, Inc. (Realty Investments). The same board of directors governs DCFOF and Realty Investments. DCFOF and Realty Investments are collectively referred to herein as the Organization. The Organization is primarily supported by government and private grants and contributions from individuals and other organizations.

2. Summary of Significant Accounting Policies

Principles of Consolidation

DCFOF and Realty Investments are consolidated in accordance with U.S. generally accepted accounting principles (GAAP), and all inter-organization transactions and accounts have been eliminated.

Basis of Accounting

The accompanying consolidated financial statements are presented on the accrual basis of accounting, in accordance with GAAP.

Consolidated Financial Statement Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.
>
> *Net assets with donor restrictions* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy. As of December 31, 2019, no such net asset restrictions existed.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Organization chooses to show contributions with donor restrictions whose restrictions are met in the same reporting period as contributions without donor restrictions.

Financial Instruments and Credit and Market Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash and cash equivalents and grants receivable. Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk.

Grants receivable are unsecured and are due from various grantor agencies under cost reimbursement grants. The Organization continually evaluates the collectability of grants receivable and maintains allowances, as considered necessary, for potentially uncollectible amounts.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of the gift. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 40 years for buildings and improvements and 5 to 7 years for equipment. Depreciation expense totaled $61,276 for the year ended December 31, 2019.

Impairment of Long-Lived Assets

The Organization periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. No such losses were recognized during the year ended December 31, 2019.

Deferred Rent

The Organization has a lease which includes escalating rent over the lease term. In accordance with GAAP, rent cost is accounted for on a straight-line basis over the term of the lease.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable contract and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. The Organization has been awarded cost-reimbursable grants of $2,942,487 that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred.

Fees for contract services are recognized as revenue when the contracted services are performed. Revenue from thrift store sales is recognized at the time of sale.

Volunteers, business firms and others contribute substantial amounts of supplies and other items toward the fulfillment of programs initiated by the Organization. To the extent that noncash contributions which are under the control of the Organization are objectively measurable and represent program or support expenses which would be otherwise incurred, they are reflected as in-kind contributions and expense in the accompanying consolidated financial statements. In-kind contributions are stated at their estimated value at date of receipt.

The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents expenses by function and natural classification. Certain costs are charged directly to the functions they benefit.

Other expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries, employee benefits, payroll taxes, insurance, rent, utilities, travel, conferences and training, telephone, contract services, equipment lease, supplies, postage, advertising/publicity, dues and memberships, interest and fundraising costs, which are allocated on the basis of estimates of time and effort.

Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Contract Compliance

The Organization is responsible for compliance with provisions of contracts and grant agreements. Noncompliance could result in the disallowance of expenditures and a request for reimbursement. In the opinion of the Organization’s management, such disallowance, if any, would not be significant to the Organization’s consolidated financial statements.

Concentrations

At December 31, 2019, balances due from two governmental agencies totaled approximately 72% of total grants receivable. The Organization received funding from one state agency during the year ended December 31, 2019 totaling approximately 56% of total revenue.

Federal Income Tax

DCFOF is a nonprofit publicly supported organization, as defined in Section 501(c)(3) of the Internal Revenue Service Code (IRC) that is exempt from federal income taxes under Section 501(a) of the IRC. Realty Investments is exempt from federal income taxes under Section

501(c)(2) of the IRC. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. For the year ended December 31, 2019, the Organization did not conduct any unrelated business activities that would be subject to federal income taxes and had no uncertain tax positions. Therefore, no tax provision or liability has been reported in the accompanying consolidated financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of Accounting Standards Updates (ASU's) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02*, Leases (ASC Topic 842)* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2020.

The Organization is currently assessing the impact that adopting this new guidance will have on the consolidated financial statements.

Accounting Pronouncements Adopted

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The Organization has adopted this ASU as of and for the year ended December 31, 2019.

In 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of the consolidated financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The Organization has adopted this ASU as of and for the year ended December 31, 2019.

Analysis of various provisions of the adopted ASUs resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the ASUs.

3. Property and Equipment

Property and equipment consist of the following as of December 31, 2019:

	DCFOF	Realty Investments
Land and improvements	$ 30,000	$ 499,110
Buildings and improvements	363,929	564,565
Furniture and equipment	174,960	-
Vehicles	106,728	-
	675,617	1,063,675
Accumulated depreciation	(429,269)	(12,111)
	$ 246,348	$ 1,051,564

4. Line of Credit

The Organization has a line of credit (Line) with interest at 4.25% to be used for working capital. Interest is due monthly and outstanding principal is due on demand, but if no demand is made, all unpaid principal and interest is due on August 16, 2020. The total line availability is $250,000 and is collateralized by the Organization’s deposit accounts, grants receivable, property and equipment. There were no outstanding advances on the Line at December 31, 2019.

5. Note Payable

DCFOF had a promissory note with a bank requiring monthly payments of principal and interest totaling $6,085. The note accrued interest at 4.25% and was collateralized by buildings and improvements. In May 2019, DCFOF entered into a transaction to sell and transfer property to Realty Investments and pay off the promissory note with the proceeds. As a part of this transaction, Realty Investments entered into a promissory note agreement with a bank requiring monthly payments of principal and interest totaling $5,411 until maturity on August 25, 2027. The note accrues interest at 5.75% and is collateralized by buildings and improvements. The balance at December 31, 2019 is $716,958.

Principal payments for the years ending December 31 are as follows:

2020	$ 13,452
2021	24,342
2022	25,779
2023	27,301
2024	28,913
Thereafter	597,171
	$ 716,958

6. Leases

The Organization leases program facilities under non-cancelable operating lease agreements expiring July 2029. Rent expense totaled $163,954 for the year ended December 31, 2019.

Future minimum lease payments due under these lease agreements are as follows for the years ending December 31:

2020	$ 80,592
2021	79,512
2022	43,134
	$ 203,238

7. Liquidity and Availability of Resources

The Organization strives to maintain liquid financial assets sufficient to cover general expenditures for a reasonable period of time.

The following table reflects the Organization's financial assets as of December 31, 2019 that are available to meet general expenditures within one year of the consolidated statement of financial position:

Cash and cash equivalents	$ 223,306
Grants receivable	403,160
Financial assets available for general expenditures within one year	$ 626,466

In the event of an unanticipated liquidity need, the Organization could draw up to $250,000 from its available line of credit.

8. Subsequent Events

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

The Organization has evaluated subsequent events the date the consolidated financial statements were issued and concluded that no additional disclosures are required.

Compliance Reports

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Denton County Friends of the Family, Inc.

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Denton County Friends of the Family, Inc. and Affiliate (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 21, 2020. The financial statements of DCFOF Realty Investments, Inc. (Affiliate) were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Affiliate.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Denton Country Friends of the Family, Inc.'s (DCFOF) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of DCFOF's internal control. Accordingly, we do not express an opinion on the effectiveness of DCFOF's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DCFOF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DCFOF's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DCFOF's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
May 21, 2020

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Denton County Friends of the Family, Inc.

Report on Compliance for Each Major Federal Program

We have audited Denton County Friends of the Family Inc.'s (DCFOF) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of DCFOF's major federal programs for the year ended December 31, 2019. DCFOF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of DCFOF's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DCFOF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of DCFOF's compliance.

Opinion on Each Major Federal Program

In our opinion, DCFOF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Sutton Frost Cary LLP
600 Six Flags Drive, Suite 600 Arlington, Texas 76011
www.sfcllp.com
Phone 817.649.8083

Report on Internal Control over Compliance

Management of DCFOF is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered DCFOF's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DCFOF's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
May 21, 2020

Denton County Friends of the Family, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

<u>Section I – Summary of Auditors' Results</u>

Consolidated Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	X no
• Significant deficiencies identified?	_____ yes	X none reported
Noncompliance material to financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major federal programs:		
• Material weaknesses identified?	_____ yes	X no
• Significant deficiencies identified?	_____ yes	X none reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	X no

Identification of major federal programs:

CFDA 16.575 Crime Victim Assistance

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	____ yes	X no

<u>Section II – Financial Statement Findings</u>

Audit Findings: None

<u>Section III – Federal Award Findings and Questioned Costs</u>

Audit Findings: None

<u>Section IV – Prior Federal Award Findings and Questioned Costs</u>

None reported.

Denton County Friends of the Family
Schedule of Expenditures of Federal and State Awards
Year Ended December 31, 2019

Federal or State Agency/ Pass-through Grantor/Program Title	CFDA #	Pass-through Grantor's #	Federal Expenditures	State Expenditures
U.S. Department of Health and Human Services:				
Texas Health and Human Services Commission:				
Social Services Block Grant (Family Violence Program)	93.667	529-15-0006-00022	$ 43,716	$ -
			43,716	-
Family Violence Prevention and Services Grant	93.671	529-15-0032-00056E	138,053	-
Family Violence Prevention and Services Grant	93.671	529-15-0032-00056F	318,810	66,629
			456,863	66,629
Total U.S. Department of Health and Human Services			500,579	66,629
U.S. Department of Housing and Urban Development:				
CDBG - Entitlement Grants Cluster:				
City of Denton:				
Community Development Block Grant Program	14.218	B-18-MC-48-0036	25,484	-
Community Development Block Grant Program	14.218	B-19-MC-48-0036	13,078	-
City of Lewisville:				
Community Development Block Grant Program	14.218	4428-10-2019R	17,690	-
Total CDBG - Entitlement Grants Cluster			56,252	-
City of Denton:				
Emergency Solutions Grant Program	14.231	E19-DC-48-0001	113,227	
Emergency Solutions Grant Program	14.231	E19-DC-48-0001	31,945	-
Total U.S. Department of Housing and Urban Development			201,424	-
U.S. Department of Justice:				
Texas Department of Criminal Justice:				
Crime Victim Assistance	16.575	2554406	1,381,560	-
Crime Victim Assistance	16.575	3347702	621,525	-
Crime Victim Assistance	16.575	3416201	599,830	-
Crime Victim Assistance	16.575	3416202	139,356	-
			2,742,271	-
Texas Department of Criminal Justice:				
Batterers' Intervention Program	-	061-001	-	79,915
			-	79,915
Total U.S. Department of Justice			2,742,271	79,915
Office of Attorney General of Texas:				
Other Victims Assistance Grants	-	1988674	-	72,572
Other Victims Assistance Grants	-	2099026	-	32,678
Other Victims Assistance Grants	-	2097079	-	8,105
			-	113,355
Total expenditures of federal and state awards			$ 3,444,274	$ 259,899

See notes to schedule of expenditures of federal and state awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state grant activity of Denton County Friends of the Family, Inc. (DCFOF). The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule only presents a selected portion of the operations of DCFOF, it is not intended and does not present the financial position, changes in net assets, or cash flows of DCFOF.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. DCFOF has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.